

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-8082

October 17, 1934.

SUBJECT: Interpretation of Standard Condition of  
Membership Numbered 8 Regarding Investment  
in Bank Premises.

Dear Sir:

Standard condition of membership numbered 8 which has been prescribed for some time reads as follows:

"Such bank shall not permit any investment in a bank building or in a site for a bank building to assume such proportions as, in the judgment of the Federal Reserve Board, would endanger the bank's solvency or liquidity or would otherwise be unduly large or improper, and before any investment is made in a bank building or a site for a bank building the bank shall refer the matter to the Federal Reserve Board for consideration."

Recently the question has been raised as to whether it is desired that all requests of banks subject to such condition for permission to make alterations and renovations in banking quarters, regardless of the proposed expenditures, be submitted to the Board or whether the Board would prefer to authorize the Federal reserve agents to approve such expenditures within certain limits.

The purpose of the condition is to prevent excessive investments in bank premises and the condition was meant to apply primarily to purchases of land or buildings, the construction of new buildings, and major alterations. In order to expedite the handling of requests covering alterations and improvements, the Board authorizes the Federal

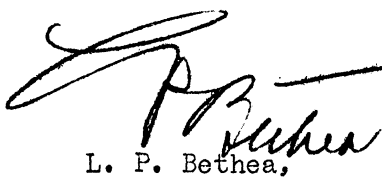
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reserve agents, without referring the matter to the Board, to grant permission to banks which are subject to condition numbered 8 referred to above to make alterations and improvements to their banking quarters when the cost of such alterations and improvements is not in excess of 10 per cent of the bank's capital stock and will not increase the bank's investment in bank premises to an amount in excess of 100 per cent of the bank's capital stock. Federal reserve agents are requested, however, to forward to the Board advice of all permissions granted in accordance with this letter. In case a Federal reserve agent is in doubt as to whether the expenditure involved in the proposed alterations or improvements would be in contravention of the spirit of the condition of membership, the request should be referred to the Board in the regular manner with his recommendation.

It was not contemplated that the terms of the condition would include minor alterations which are charged to expense and not capitalized.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'L. P. Bethea', with a stylized flourish at the end.

L. P. Bethea,  
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.